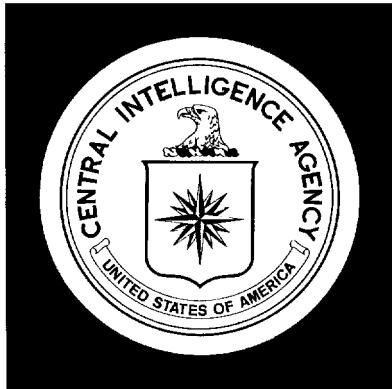


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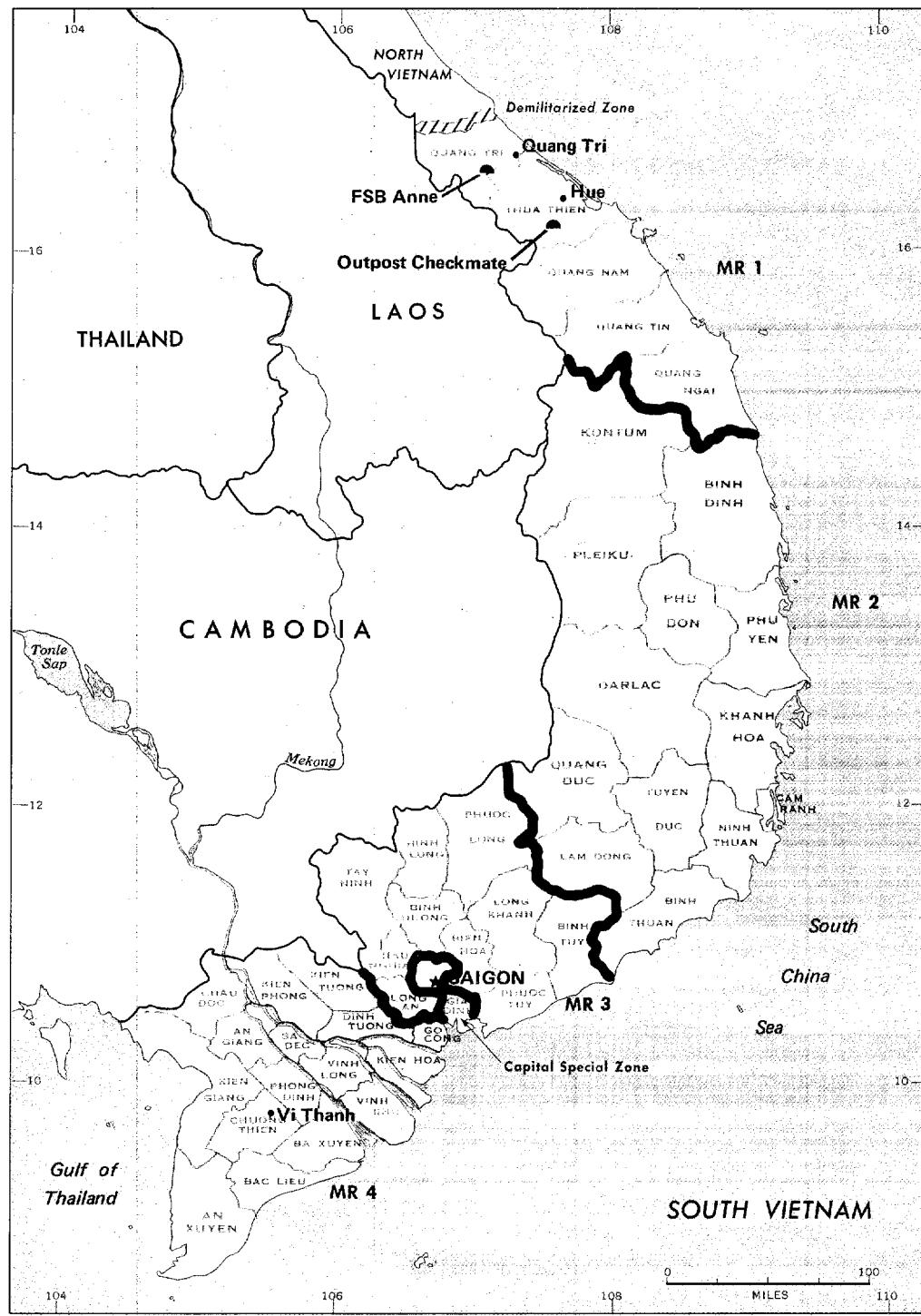
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VIETNAM: Government units continue to press their attacks in Quang Tri Province; Communist forces have inflicted heavy casualties on government troops in the delta.

South Vietnamese Marines are attempting to set up new positions north of Quang Tri City and are consolidating other positions on their eastern flank. South of the provincial capital, airborne units are meeting strong enemy resistance near Fire Base Anne, while heavy ground and artillery attacks have been reported on South Vietnamese troops in other positions near Quang Tri City.

Heavy fighting is also taking place south of Hue, but government troops are reported to have recaptured outpost Checkmate, which was lost to the Communists last week. This is the fourth time in the last two weeks that this important position overlooking the western approach to Hue has changed hands.

In the delta, Communist military action continues to increase. In a battle less than five miles from the provincial capital of Vi Thanh in Chuong Thien Province, an enemy force inflicted heavy losses on South Vietnamese Army regulars. In the northern delta, the continuing buildup of enemy units in Dinh Tuong Province has necessitated the return of a South Vietnamese regiment from a cross-border operation in Cambodia. South Vietnamese relief forces--including regular army, Rangers, and territorial units--are planning some counterthrusts to blunt the enemy's increased activity in this vital province which dominates land and canal communications into the southern delta. [redacted]

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USSR-CUBA-CEMA: Cuban membership in the Soviet-led Council for Mutual Economic Assistance (CEMA) ultimately may result in closer Soviet-Cuban economic coordination.

Cuba's admission to full membership, announced at the current CEMA session in Moscow, undoubtedly was arranged during Fidel Castro's recent visit and is the first known concrete result of the trip. Since Castro's return a week ago, Havana has not commented on the journey. The Cuban silence contrasts with Soviet pronouncements praising the trip.

CEMA is the economic union including Moscow's East European allies and Mongolia. Yugoslavia, North Korea, and North Vietnam have maintained an observer status. Cuba, formerly an observer, becomes the second non-European member. The Soviets in the past have attempted to persuade Pyongyang and Hanoi to become full members.

CEMA's purpose is to promote trade, increase specialization, and coordinate economic planning and standards among member countries. It has been generally ineffective since its founding in 1949, partly because Moscow's East European allies have feared its use as a tool for Soviet economic domination. Last year, however, a comprehensive long-range economic integration program was worked out and an International Investment Bank to finance long-term projects in member countries began to function.

Castro may see full Cuban membership as helpful in the long run as a possible source of additional funding for his chronically ailing economy and for the possible security it may provide in terms of Soviet commitments to Cuba. The Soviets

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probably view Cuban membership as providing one more channel to press for closer Cuban economic coordination with Moscow and for more rational internal economic development in Cuba, both long-standing Soviet objectives.

Any reservations Castro may have about this step probably center on his awareness that Moscow is likely to use the CEMA link to push Soviet economic development concepts that Cuba has often resisted. [redacted]

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CHINA - NORTH KOREA - UN: Peking has apparently decided to take an active role in pushing for UN consideration of the Korean question this fall.

After cautiously approaching this issue over the last few months, the Chinese position has become more clear since the joint communiqué on peaceful unification issued on 4 July by North and South Korea. In a recent conversation with visiting French Foreign Minister Schumann, Chinese Foreign Minister Chi Peng-fei warmly welcomed the joint communiqué and said that Peking planned to support Pyongyang's desire for a UN debate this year.

In the past few days, the Chinese have also begun to lobby for new compromise resolutions which avoid the polemics of Soviet and Mongolian-sponsored resolutions of past years. How strongly the Chinese will back these resolutions is not yet clear, but so far they have asked Canada, the Netherlands, Turkey, and probably France to support them.

South Korea is continuing its efforts to postpone again discussion of the Korean question, claiming that the Pyongyang-Seoul talks should not be jeopardized by acrimonious debate in New York. The situation has become more fluid since the 4 July communiqué, however, and the flexible approach of the new resolutions will make it more difficult to get another postponement. [redacted]

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USSR-AFGHANISTAN: Moscow will continue to underwrite much of Afghanistan's economic development by providing additional aid for the current five-year plan (1972-77).

Moscow's announcement of the new economic and technical cooperation agreement does not specify the amount of assistance, but a Soviet advisory team that helped draw up Afghanistan's fourth plan estimated that Soviet participation of about \$100 million would be required, or 40 percent of projected foreign assistance. This amount, however, could include as much as \$75 million in unused Soviet credits, which could be allocated to projects initiated under previous development plans but carried over into the current one. As in previous years, Moscow probably has provided some commodity assistance, which has averaged from \$4 to \$5 million annually.

The new agreement provides in particular for Soviet assistance in the construction of various industrial projects. This conforms with Kabul's stated intention of using development funds in the fourth plan mainly for the productive sector. Under earlier plans Soviet assistance was focused on the construction of transportation facilities, power production and multipurpose agricultural projects, education and public works, and mineral development. More than 80 percent of the \$705 million in Soviet aid for the first three plans had been delivered by the end of the third plan in March.

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INDIA: To reduce its dependence on private foreign supplies, New Delhi has arranged to procure Iraqi oil from the North Rumaila fields in exchange for the construction of industrial plants in Iraq.

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India has been increasingly dependent on foreign oil company sources for most of its crude oil imports, despite attempts to find and exploit additional domestic supplies. Shipments of Iraqi oil reportedly are to begin soon for use in India's state-owned refineries. New Delhi may use the Iraqi oil as leverage in dealing more aggressively with the privately-owned foreign refineries with whom there have been continuing disagreements about imported oil sources and prices.

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The trade agreement with Iraq reportedly has prompted India to go ahead with plans for a long-heralded refinery in northwest India. The 120,000-barrel per day refinery, to be in operation by 1978, would supply oil products to the most rapidly industrializing area of India. Plans also include construction of an offshore terminal to accommodate large tankers from Iraq and a 750-mile pipeline from the terminal to the refinery.

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USSR: Efforts to raise the quality of manufactured products and to transfer the results of research and development into the production process are making slow progress, according to two recent Pravda editorials.

A campaign to improve quality within the framework of the present five-year plan (1971-75) sets goals, but the paper says little about how this is to be accomplished. In one editorial, Pravda notes that a number of enterprises, especially those in the Ministry of Light Industry, continue to emphasize quantity at the expense of quality. Only at the end of the editorial does Pravda come to grips with the essence of the problem when it states that quality production is integrally linked with advanced labor procedures, technically competent personnel and a wage system that rewards an emphasis on quality. 25X1

In another editorial, Pravda attacks industrial designers as the weak link in applying the results of research into tangible improvements in products or manufacturing processes. Designers are portrayed as artisans, pursuing lines of endeavor that often are not responsive to the demands for reliable, high quality production. 25X1

In both instances, the paper calls for improvement, but fails to recommend an effective means for achieving these goals. At most, the article exhorts party and trade organizations at the plant level to strive for improved quality, an approach that has not been successful in the past. 25X1

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JAPAN: Seamen today will end their record three-month long strike for higher pay and better working conditions. The settlement with the ship-owners came about largely as a result of fatigue by both parties and a compromise plan by the new minister of transportation. Although 70 percent of Japan's merchant fleet was tied up, only a small fraction of shipping tonnage--two million tons--was backlogged because of a switch to foreign vessels. Japanese shipowners probably suffered the biggest loss, an estimated \$150 million in revenues. The strike slowed Japanese trade, especially imports of steel and coal and exports of automobiles, but this will not have much effect on the trade surplus.

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